



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR OCTOBER 25, 2006

#### NATURAL GAS MARKET NEWS

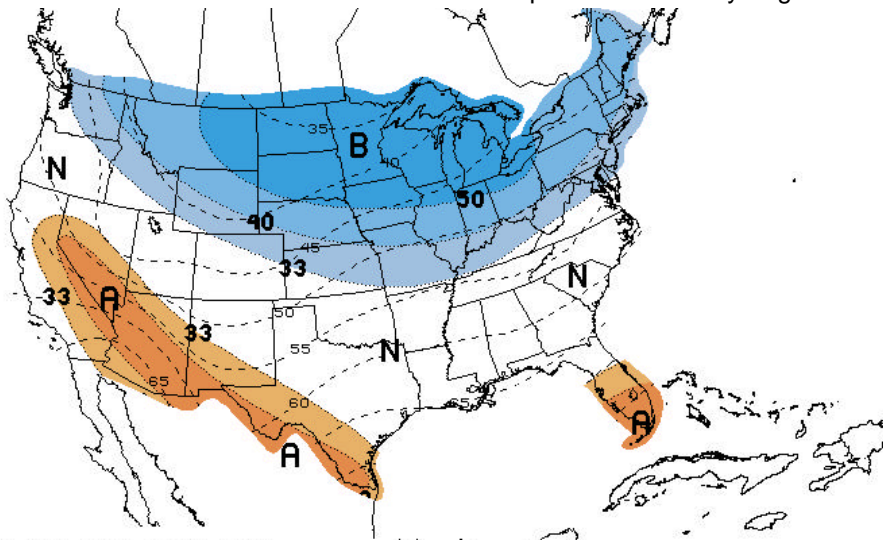
Barclays Capital, the investment banking division of Barclays plc, said it bought a 40% stake in private equity firm NGP Energy Capital, giving Barclays a bigger stake in the North American energy capital management business. The deal follows Barclays Capital's assumption of Duke Energy North America's natural gas and power derivative contracts last November.

Natural Gas Pipeline Company of America (NGPL) has filed an application to construct and abandon facilities in Cameron and Vermilion Parishes in order to carry out an expansion of its Louisiana Line system.

#### PIPELINE RESTRICTIONS

Algonquin Gas Transmission said that Tennessee Gas Mahwah has been scheduled to capacity. Nomination increases for receipts sourced at Mahwah will not be accepted.

Florida Gas Transmission said that its linepack is currently high and mild weather continues in Florida.



6-10 DAY OUTLOOK  
TEMPERATURE PROBABILITY  
MADE 25 Oct 2006  
VALID Oct 31 - Nov 04, 2006

DASHED BLACK LINES ARE CLIMATOLOGY  
(DEG F) SHADED AREAS ARE FCST  
VALUES ABOVE (A) OR BELOW (B) NORMAL  
UNSHADED AREAS ARE NEAR-NORMAL

#### Generator Problems

**SERC** – Progress Energy's 710 Mw Robinson #2 nuclear unit shut by early today. Yesterday, the unit was operating at full power.

Tennessee Valley Authority's 1,100 Mw Browns Ferry #2 nuclear unit increased output to full power. Yesterday, the unit was operating at 89% capacity. Browns Ferry #3 continues to operate at full power.

Entergy's 966 Mw River Bend nuclear unit ramped power to 76% capacity. Yesterday, the unit was operating at 55%.

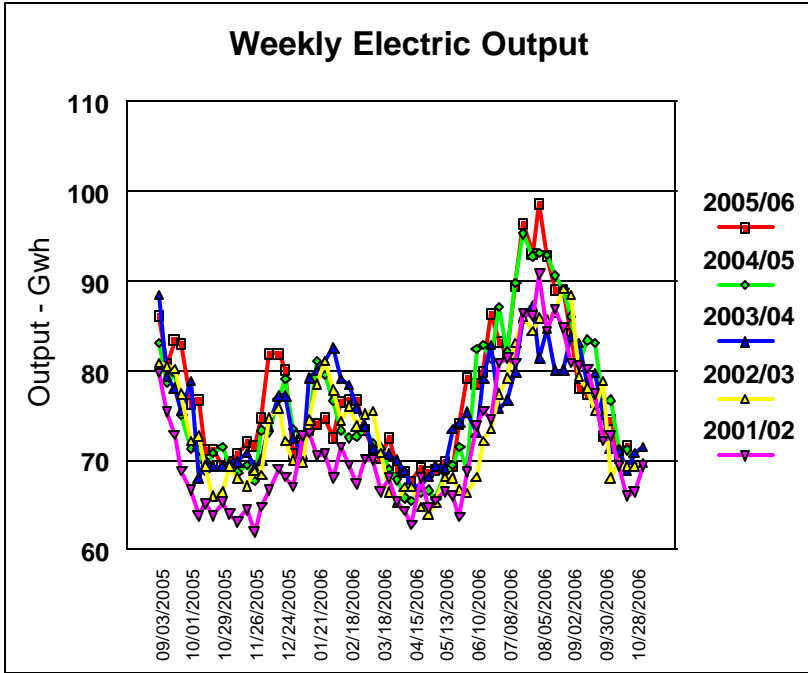
**WSCC** – Arizona Public Service's 1,270 Mw Palo Verde #1 nuclear unit returned to full capacity today.

**The NRC reported that 73,030 Mw of nuclear capacity is on line, up .94% from Tuesday, but 7.37% lower than a year ago.**

Therefore, FGT is notifying customers in its Market Area that there is the potential that FGT may issue an Underage Alert Day on one of the upcoming gas days.

Kern River Pipeline said that linepack has increased to high levels on all segments of the pipeline.

Texas Eastern Transmission Corp. said that it has seen system wide imbalances improve to the point that the restrictions on creating due shipper imbalances or resolving due pipe imbalances can be partially lifted. Tetco does have limited capability to resolve due shipper

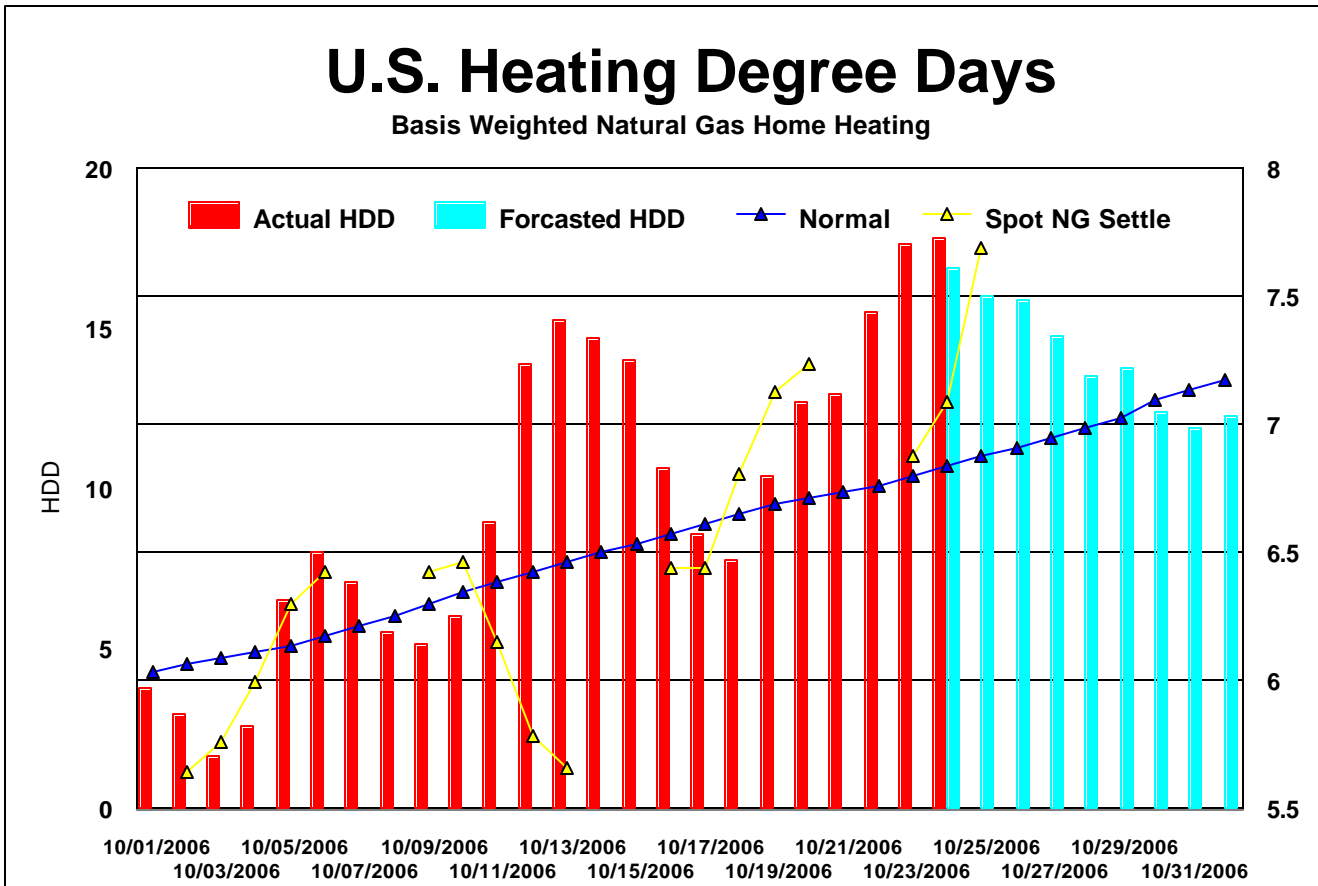


imbalances. Tetco expects immediate action on the part of imbalance party's to reduce imbalances. To the extent it becomes necessary Tetco will force balance pools to maintain system balances in an acceptable range.

#### **PIPELINE MAINTENANCE**

Gulf South Pipeline said that it will be performing scheduled pipeline maintenance on Index 59 – FPL 1 on October 31. To the extent firm service is interrupted, Gulf South will be claiming force majeure for as long as service cannot be performed due to the maintenance activity. Gulf South Pipeline also said that it will be performing scheduled pipeline maintenance on Index 391-05 beginning at 7:00 AM on October 30 and October 31. Service to LOC 9702 – Knox Lee Power Plant will be unavailable for the duration of the maintenance.

Natural Gas Pipeline Company said that from November 14-15, it will be performing piping modifications at North Lansing Storage Facility (Station 388) in Harrison County, Texas. During this time, Lansing Storage will be



unavailable and Natural's ability to inject gas on its Gulf Coast system will be impacted. As a result, firm injection capability for Gulf Coast-sourced injections under all of Natural's firm storage services will be reduced during this period.

Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed at the Worland Compressor Plant through October 27. At this time, we do not anticipate any restriction to the system.

**ELECTRIC MARKET NEWS**

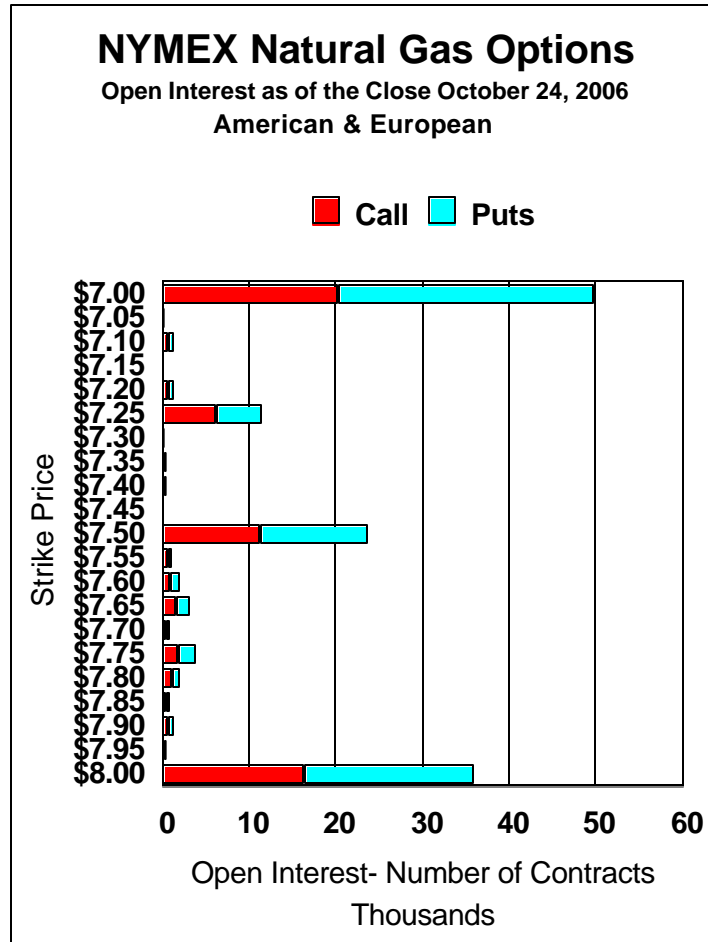
FPL Group ended its \$12.4 billion takeover of Constellation Energy Group after battling with regulators, lawmakers and judges in Constellation's home state of Maryland. This transaction is the second major power-company merger derailed by state officials in about a month.

The Edison Electric Institute reported that electricity demand in the continental U.S. was higher last week compared with the same week last year and the previous week. The continental U.S. used 71,658 GWh of electricity during the week ending October 20, 0.7% more than a year ago and 1.6% more than previous week.

Duke Energy, which plans to split its operations January 1 into separate electric and natural gas companies told shareholders that the new Duke Energy, a pure-play electric company, should see annual earnings per share growth of 4-6% over at least the next three years. The new gas company, temporarily named GasSpinCo., will see an average EPS of 5-7% over the same period.

**MARKET COMMENTARY**

The natural gas market opened 9 cents stronger helped by forecasts that cool temperatures could continue into next week. The market got a big boost following the release of the EIA's oil complex inventory statistics, which showed larger than expected draws, prompting crude oil to rally 2.00. November natural gas shot up the charts with oil, trading to a high of 7.75 before settling just under that at 7.693, up 60.2 cents on the day. The winter contracts also traded higher today, gaining 37-39 cents.



The NYMEX natural gas options market saw its most active session since September 15<sup>th</sup>, as some 189,337 contracts traded hands between the American and European options contracts. By far the most active strike was the November European \$8.00 call which traded 10,250 times. Coming into the session today there was a significant amount of open interest at this strike, and which could be viewed as a target for tomorrow's session as the November options are set to expire.

With colder than normal temperatures dominating the eastern half of the country and temperatures expected to remain cool through the beginning of next week, the bears are standing aside until they see some moderating in the forecasts. Estimates for tomorrow's EIA storage report range from a modest 10 to 40 Bcf injection, with an average expectation of 31 Bcf. This will compare bullishly to last year's 77-Bcf injection and the five-year average build of 49 Bcf. Due to this week's cooler than normal weather in the eastern half of the country, storage figures for next week could come in close to nil to only 10 Bcf. Total storage is still expected to reach 3.5 Tcf by the time injection season is over. November option expiration tomorrow and November futures expiration on Friday will provide added volatility to the spot month as market players square their books. We see support at

\$7.40, \$7.15, \$7.00 and \$6.81. We see further support at \$6.40, \$6.22 and \$6.00. We see resistance at \$7.75, \$7.94, \$8.00, \$8.20 and \$8.61.

NYMEX Nat Gas Options Most Active Strikes for October 25, 2006								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	11	6	C	8	10/26/2006	0.0832	10,250	122.01
LN	11	6	P	7	10/26/2006	0.0119	5,858	116.89
LN	11	6	C	8.2	10/26/2006	0.044	4,650	123.43
ON	11	6	P	7	10/26/2006	0.012	4,630	116.89
LN	6	7	C	12	05/25/2007	0.217	4,225	43.20
LN	4	7	C	12	03/27/2007	0.1412	4,225	46.36
LN	5	7	C	12	04/25/2007	0.1655	4,225	44.36
LN	4	7	P	5	03/27/2007	0.0403	4,125	47.03
ON	1	7	C	8.5	12/26/2006	0.992	4,115	63.94
LN	11	6	C	7.5	10/26/2006	0.301	3,518	118.43
ON	11	6	C	8	10/26/2006	0.083	3,312	122.20
LN	11	6	C	7.75	10/26/2006	0.1671	3,265	120.05
LN	3	7	P	5	02/23/2007	0.0345	3,100	56.26
ON	11	6	P	7.5	10/26/2006	0.108	3,031	119.24
LN	12	6	P	5.5	11/27/2006	0.0121	2,800	70.21
LN	11	6	C	8.5	10/26/2006	0.0161	2,605	127.51
ON	12	6	P	7	11/27/2006	0.181	2,602	69.71
LN	11	6	P	7.5	10/26/2006	0.108	2,575	119.59
LN	4	7	C	8	03/27/2007	0.8648	2,100	37.39
LN	12	6	C	10	11/27/2006	0.2562	2,050	75.19
ON	1	7	C	10	12/26/2006	0.492	2,035	66.61
LN	5	7	C	8	04/25/2007	0.8998	2,000	35.73
LN	6	7	C	8	05/25/2007	0.9976	2,000	34.09
ON	11	6	C	7.5	10/26/2006	0.301	1,984	119.24
LN	11	6	C	8.25	10/26/2006	0.0362	1,950	122.74
LN	11	6	C	7.8	10/26/2006	0.1467	1,825	120.51
LN	1	7	P	8	12/26/2006	0.5537	1,725	66.31
LN	3	7	C	20	02/23/2007	0.0477	1,700	72.37
LN	1	7	P	6	12/26/2006	0.0645	1,550	65.04
ON	12	6	C	9	11/27/2006	0.477	1,509	74.31